

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sherman Township	County Osceola
Audit Date 3/31/05	Opinion Date 6/17/05	Date Accountant Report Submitted to State: July 8, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 7/8/05	

SHERMAN TOWNSHIP, OSCEOLA COUNTY

TUSTIN, MICHIGAN

MARCH 31, 2005

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

MARCH 31, 2005

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SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Sherman Township
Osceola County
Tustin, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sherman Township, Osceola County, Tustin, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sherman Township, Osceola County, Tustin, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sherman Township, Osceola County, Tustin, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Sherman Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Sherman Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$480,784. Of this amount, \$260,066 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$415,840. About 63% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Sherman Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental funds focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$480,784 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Sherman Township
Net Assets as of March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 416,291
Non Current Assets	
Capital Assets	73,306
Less: Accumulated Depreciation	<u>8,362</u>
Total Non Current Assets	<u>64,944</u>
Total Assets	<u><u>\$ 481,235</u></u>
Liabilities	
Current Liabilities	<u>\$ 451</u>
Net Assets	
Invested in Capital Assets	64,944
Restricted for Specific Purposes	155,774
Unrestricted	<u>260,066</u>
Total Net Assets	<u>480,784</u>
Total Liabilities and Net Assets	<u><u>\$ 481,235</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, and equipment). The Township is not responsible for any long-term debt as of March 31, 2005. Other liabilities are minimal as of March 31, 2005.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Sherman Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 1,650
General Revenues	
Taxes	122,943
State Shared Revenue	81,221
Licenses and Permits	383
Unrestricted Investment Earnings	5,870
Other	578
Total Revenues	\$ 212,645
<u>Expenses</u>	
Legislative	\$ 6,937
General Government, Administrative	53,074
Public Safety	49,858
Community and Economic Development	11,186
Recreational and Cultural	1,943
Other Functions	10,395
Unallocated Depreciation	2,601
Total Expenses	135,994
Changes in Net Assets	76,651
NET ASSETS – Beginning of Year	404,133
NET ASSETS – End of Year	\$ 480,784

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$76,651 or 19% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Sherman Township comes from property taxes and special assessments. The Township levied 0.9626 mills for operating purposes.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 39% of total expenses. The Township spent \$53,074 in fiscal year 2005 on General Administrative expenses. Public Safety represented the next largest expense at \$49,858, or 37% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$47,636.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Sherman Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Sherman Township's governmental funds reported combined ending fund balances of \$415,840. Approximately 63%, or \$260,066 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

General Fund – The General Fund increased its fund balance by \$29,981 which brings the fund balance to \$260,066. The General Fund's fund balance is unreserved. All of the General Fund's functions, except for the Other Functions, ended the year with expenditures below budgeted amounts. The Other Functions differential was funded by available fund balance.

Road Fund – The Road Fund increased its fund balance by \$49,271 which brings the fund balance to \$155,744. This balance is reserved and must be used for road maintenance.

Fire Fund – The Fire Fund fund balance remained the same at \$0. The only expenditure was for contracted fire protection services in the amount of \$48,040.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$64,944 net of accumulated depreciation.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Capital assets summarized below include any items purchased with a cost greater than \$2,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

		Sherman Township	
		Capital Assets as of March 31, 2005	
			Governmental Activities
Buildings	\$		55,887
Equipment and Furniture			17,419
Less Accumulated Depreciation			8,362
Net Capital Assets	\$		<u>64,944</u>

There were no major capital asset events during the current fiscal year.

Long-Term Debt. Sherman Township has no obligation for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2005-06 fiscal year.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Sherman Township at 3925 W. 21 Mile Road, Tustin, MI 48625.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 389,460
Receivables	
Taxes	13,832
External Party (Fiuduciary Fund)	1,271
Due from Other Governments	<u>11,728</u>
Total Current Assets	<u>\$ 416,291</u>
<u>CAPITAL ASSETS</u>	
Buildings	\$ 55,887
Equipment and Furniture	<u>17,419</u>
	\$ 73,306
Less Accumulated Depreciation	<u>8,362</u>
Net Capital Assets	<u>\$ 64,944</u>
TOTAL ASSETS	<u><u>\$ 481,235</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 201
Payroll Taxes and Withholdings	<u>250</u>
Total Current Liabilities	<u>\$ 451</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	\$ 64,944
Restricted for Road Maintenance	155,774
Unrestricted	<u>260,066</u>
TOTAL NET ASSETS	<u><u>\$ 480,784</u></u>

The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 6,937	\$ 0	\$ 0	\$ 0	\$ (6,937)
General Government, Administrative	53,074	1,650	0	0	(51,424)
Public Safety	49,858	0	0	0	(49,858)
Community and Economic Development	11,186	0	0	0	(11,186)
Recreation and Cultural	1,943	0	0	0	(1,943)
Other Functions	10,395	0	0	0	(10,395)
Unallocated Depreciation	2,601	0	0	0	(2,601)
Total Governmental Activities	135,994	1,650	0	0	(134,344)
<u>GENERAL REVENUES</u>					
Taxes					\$ 122,943
Licenses and Permits					383
State Shared Revenue					81,221
Interest Income					5,870
Other					578
Total General Revenues					210,995
Change in Net Assets					76,651
<u>NET ASSETS</u> - Beginning of Year					404,133
<u>NET ASSETS</u> - End of Year					\$ 480,784

The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2005

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 280,933	\$ 108,527	\$ 0	\$ 389,460
Taxes Receivable	2,743	5,607	5,482	13,832
Due from Other Governments	11,728	0	0	11,728
Due from Other Funds	6,753	41,640	0	48,393
Total Assets	<u>302,157</u>	<u>155,774</u>	<u>5,482</u>	<u>463,413</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 201	\$ 0	\$ 0	\$ 201
Payroll Taxes and Withholdings	250	0	0	250
Due to Other Funds	41,640	0	5,482	47,122
Total Liabilities	<u>\$ 42,091</u>	<u>\$ 0</u>	<u>\$ 5,482</u>	<u>\$ 47,573</u>
<u>FUND BALANCE</u>				
Reserved for:				
Road Maintenance	\$ 0	\$ 155,774	\$ 0	\$ 155,774
Unreserved				
Undesignated	260,066	0	0	260,066
Total Fund Balance	<u>\$ 260,066</u>	<u>\$ 155,774</u>	<u>\$ 0</u>	<u>\$ 415,840</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 302,157</u>	<u>\$ 155,774</u>	<u>\$ 5,482</u>	<u>\$ 463,413</u>

The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balance for Governmental Funds	\$	415,840
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Buildings	\$	55,887	
Equipment and Furniture		17,419	
Accumulated Depreciation		(8,362)	64,944

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>480,784</u>
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The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 27,656	\$ 47,247	\$ 48,040	\$ 122,943
Licenses and Permits	383	0	0	383
State Grants	81,221	0	0	81,221
Charges for Services	1,650	0	0	1,650
Interest and Rents	3,846	2,024	0	5,870
Other Revenues	578	0	0	578
Total Revenues	115,334	49,271	48,040	212,645
<u>EXPENDITURES</u>				
Legislative	6,937	0	0	6,937
General Government	53,074	0	0	53,074
Public Safety	1,818	0	48,040	49,858
Community and Economic Development	11,186	0	0	11,186
Recreation and Cultural	1,943	0	0	1,943
Other Functions	10,395	0	0	10,395
Total Expenditures	85,353	0	48,040	133,393
Net Change in Fund Balance	29,981	49,271	0	79,252
<u>FUND BALANCE</u> - Beginning of Year	230,085	106,503	0	336,588
<u>FUND BALANCE</u> - End of Year	\$ 260,066	\$ 155,774	\$ 0	\$ 415,840

The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 79,252
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(2,601)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 76,651</u></u>

The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ <u>1,271</u>
<u>LIABILITIES</u>	
Due to General Fund	\$ <u>1,271</u>

The accompanying notes are an integral part of the financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Sherman Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Sherman Township reports the following major governmental funds:

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally Sherman Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or twelve months or less from date of acquisition.

(I) The Township has authorized the Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivision (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 125.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1986 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

principal office or branch office located in this state under the laws of this state or the United States.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Sherman Township totaled \$24,021,400, on which ad valorem taxes levied consisted of 0.9626 mills for Sherman Township operating purposes. The levy raised approximately \$23,119 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as required.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land and Building Improvements	20
Equipment and Furniture	5-10

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 27, 2004 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Fire Fund			
Public Safety	\$ 44,063	\$	48,040

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Citizen's Bank and Lake Osceola State Bank. At year-end, the carrying amount of the Township's deposits was \$390,731 and the bank balance was \$391,137. Of the bank balance, \$369,050 was covered by Federal depository insurance and \$22,087 was uninsured and uncollateralized.

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the Township's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the Township's name.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The Township does not have any investments subject to classification.

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amount of Deposits	\$ <u>390,731</u>
Government-wide Statement of Net Assets	
Cash	\$ 389,460
Statement of Fiduciary Net Assets	
Cash	<u>1,271</u>
Total	\$ <u>390,731</u>

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>		<u>Road</u>		<u>Fire</u>		<u>Total</u>
Receivables							
Taxes	\$ 2,743	\$	\$ 5,607	\$	\$ 5,482	\$	\$ 13,832

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
<u>Governmental activities:</u>							
Capital assets, being depreciated							
Buildings	\$ 55,887	\$	\$ 0	\$	\$ 0	\$	\$ 55,887
Equipment and Furniture	<u>17,419</u>		<u>0</u>		<u>0</u>		<u>17,419</u>
Total capital assets, being depreciated	\$ 73,306	\$	\$ 0	\$	\$ 0	\$	\$ 73,306
Less accumulated depreciation for:							
Buildings	\$ 559	\$	\$ 1,117	\$	\$ 0	\$	\$ 1,676

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Equipment and Furniture	5,202	1,484	0	6,686
Total accumulated depreciation	\$ 5,761	\$ 2,601	\$ 0	\$ 8,362
Total capital assets, being depreciated, net	\$ 67,545	\$ (2,601)	\$ 0	\$ 64,944

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Unallocated Depreciation \$ 2,601

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
Primary Government Only Due From/To Other Funds:		
General Fund		
Road	\$ 0	\$ 41,640
Fire	5,482	0
Current Tax	1,271	0
Road		
General Fund	41,640	0
Fire		
General Fund	0	5,482
Current Tax		
General Fund	0	1,271
Total Primary Government	\$ 48,393	\$ 48,393

E. Long-Term Debt

At March 31, 2005, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balance in various funds. This reserve is detailed in the following schedule:

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Road Fund

Road Maintenance \$ 155,774

G. Fire Fund

These financial statements show the transactions of the township Fire Fund as they would have occurred if all fire monies received for current and delinquent taxes were sent to the fire fund before being sent to the Tustin Area Fire District. The payments are being sent to the Tustin Area Fire District directly from the Current Tax Fund and from the General Fund due to the substantial savings of time and bookkeeping procedures.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement age is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 10% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2004-2005 amounted to \$4,197. In addition the Township paid a \$175 service fee. The contribution was based on 2003 calendar year wages of \$41,971. All employees currently are covered by the plan.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

C. Property Taxes

The Township levied 4.9195 mills in tax on state taxable value of \$24,021,400 on the 2004 tax roll. The 4.9195 mill levy was for the following purposes:

Road Improvement	1.9569
Fire Protection	2.0000
General Operations	<u>0.9626</u>
	<u><u>4.9195</u></u>

D. Interest Income and Expense

For the year ended March 31, 2005 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 3,846	\$ 0
Road Fund	<u>2,024</u>	<u>0</u>
TOTAL	<u>\$ 5,870</u>	<u>\$ 0</u>

E. Joint Fire District

The Township is a member of the Tustin Area Fire District. The Fire District is a joint venture of Burdell, Dover and Sherman Townships created to provide fire protection to member townships. As stated in NOTE IV. C, Sherman Township levies 2.0000 mills to support the Fire District. The following financial information was taken from the Fire District's February 29, 2004, audited financial statements:

Total Assets	\$ 712,661
Investment in Fixed Assets	619,449
Fund Balance – Unreserved	93,212
Total Receipts	110,587
Total Disbursements	90,069
Net Increase (Decrease) in Fund Balance	20,518

A copy of these audited financial statements may be obtained upon request from the Fire District treasurer.

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				ROAD FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 6,479	\$ 6,479	\$ 27,656	\$ 21,177	\$ 44,800	\$ 44,800	\$ 47,247	\$ 2,447	\$ 44,063	\$ 44,063	\$ 48,040	\$ 3,977
Licenses and Permits	1,015	1,015	383	(632)	0	0	0	0	0	0	0	0
State Grants	85,000	85,000	81,221	(3,779)	0	0	0	0	0	0	0	0
Charges for Services	700	700	1,650	950	0	0	0	0	0	0	0	0
Interest and Rents	4,000	4,000	3,846	(154)	900	900	2,024	1,124	0	0	0	0
Other Revenues	575	575	578	3	0	0	0	0	0	0	0	0
Total Revenues	\$ 97,769	\$ 97,769	\$ 115,334	\$ 17,565	\$ 45,700	\$ 45,700	\$ 49,271	\$ 3,571	\$ 44,063	\$ 44,063	\$ 48,040	\$ 3,977
<u>EXPENDITURES</u>												
Legislative	\$ 9,993	\$ 9,993	\$ 6,937	\$ 3,056	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	77,135	78,135	53,074	25,061	0	0	0	0	0	0	0	0
Public Safety	1,916	1,916	1,818	98	0	0	0	0	44,063	44,063	48,040	(3,977)
Public Works	20,000	18,500	0	18,500	44,800	44,800	0	44,800	0	0	0	0
Community and Economic Development	14,805	14,805	11,186	3,619	0	0	0	0	0	0	0	0
Recreation and Cultural	3,750	3,750	1,943	1,807	0	0	0	0	0	0	0	0
Other Functions	5,160	5,660	10,395	(4,735)	0	0	0	0	0	0	0	0
Contingency	800	800	0	800	0	0	0	0	0	0	0	0
Total Expenditures	\$ 133,559	\$ 133,559	\$ 85,353	\$ 48,206	\$ 44,800	\$ 44,800	\$ 0	\$ 44,800	\$ 44,063	\$ 44,063	\$ 48,040	\$ (3,977)
Net Change in Fund Balance	\$ (35,790)	\$ (35,790)	\$ 29,981	\$ 65,771	\$ 900	\$ 900	\$ 49,271	\$ 48,371	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	247,731	247,731	230,085	(17,646)	100,595	100,595	106,503	5,908	0	0	0	0
<u>FUND BALANCE</u> - End of Year	\$ 211,941	\$ 211,941	\$ 260,066	\$ 48,125	\$ 101,495	\$ 101,495	\$ 155,774	\$ 54,279	\$ 0	\$ 0	\$ 0	\$ 0

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GENERAL FUND
BALANCE SHEET

MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 122,009
Certificates of Deposit	158,924
Taxes Receivable	2,743
Due from Other Governments	11,728
Due from Fire Fund	5,482
Due from Current Tax Collection Fund	<u>1,271</u>
 TOTAL ASSETS	 \$ <u><u>302,157</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 201
Payroll Taxes and Withholdings	250
Due to Road Fund	<u>41,640</u>
 Total Liabilities	 42,091

FUND BALANCE

Unreserved	<u>260,066</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>302,157</u></u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 6,479	\$ 6,479	\$ 27,656
Licenses and Permits	1,015	1,015	383
State Grants	85,000	85,000	81,221
Charges for Services	700	700	1,650
Interest and Rents	4,000	4,000	3,846
Other Revenues	575	575	578
Total Revenues	97,769	97,769	115,334
<u>EXPENDITURES</u>			
Legislative			
Township Board	9,993	9,993	6,937
General Government			
Supervisor	6,710	6,710	5,655
Elections	3,950	4,950	2,954
Assessor	10,275	10,275	9,272
Clerk	10,824	10,824	9,688
Board of Review	2,480	2,480	700
Treasurer	13,746	13,746	11,968
Building and Grounds	16,550	16,550	3,840
Cemetery	12,600	12,600	8,997
Public Safety			
Fire Department	1,365	1,365	1,267
Ordinance Enforcement	551	551	551
Public Works	20,000	18,500	0
Community and Economic Development			
Planning and Zoning	14,805	14,805	11,186
Recreation and Cultural			
Recreation and Parks	3,750	3,750	1,943
Other Functions	5,160	5,660	10,395
Contingency	800	800	0
Total Expenditures	133,559	133,559	85,353
Net Change in Fund Balance	(35,790)	(35,790)	29,981
FUND BALANCE - Beginning of Year	247,731	247,731	230,085
FUND BALANCE - End of Year	\$ 211,941	\$ 211,941	\$ 260,066

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
YEAR ENDED MARCH 31, 2005

TAXES

Current Property Tax	\$	23,119	
Delinquent Property Tax and Interest		1,035	
Property Tax Administration Fees		3,489	
Payment in Lieu of Taxes		<u>13</u>	
Total Taxes			\$ 27,656

LICENSES AND PERMITS

Zoning Permits		375	
Dog License Fees		<u>8</u>	
Total Licenses and Permits			383

STATE GRANTS

Metro Act		3,705	
State Revenue Sharing			
Sales and Use Tax		<u>77,516</u>	
Total State Grants			81,221

CHARGES FOR SERVICES

Grave Openings			1,650
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INTEREST AND RENTS

Interest Earnings		3,651	
Rents and Royalties		<u>195</u>	
Total Interest and Rents			3,846

OTHER REVENUES

Miscellaneous		178	
Sale of Cemetery Lots		<u>400</u>	
Total Other Revenues			<u>578</u>
TOTAL REVENUES			\$ <u><u>115,334</u></u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 3,171

Other Services and Charges

Dues and Fees 611

MTA Defense Fund 28

Professional Services 2,460

Printing and Publishing 667

Total Legislative \$ 6,937

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 5,232

Salaries and Wages - Deputy 378

Other Services and Charges

Transportation and Expense 41

Communications 4

Total Supervisor 5,655

Elections

Personal Services

Salaries and Wages \$ 343

Per Diem 1,074

Supplies

Office Supplies 164

Other Services and Charges

Education and Training 368

Transportation 134

Printing and Publishing 110

Miscellaneous 381

Capital Outlay

Equipment 380

Total Elections 2,954

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED MARCH 31, 2005

Assessor

Supplies

Office Supplies	\$	345
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Other Services and Charges

Contracted Services		7,216
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Telephone		113
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Transportation and Expense		145
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Printing and Publishing		1,453
		<hr/>

Total Assessor		9,272
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Clerk

Personal Services

Salaries and Wages	\$	8,795
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Salaries and Wages - Deputy		378
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Supplies

Office Supplies		49
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Other Services and Charges

Communications		60
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Miscellaneous		406
		<hr/>

Total Clerk		9,688
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Board of Review

Personal Services

Salaries and Wages	\$	210
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Per Diem		105
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Other Services and Charges

Seminars and Training		220
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Printing and Publishing		165
		<hr/>

Total Board of Review		700
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Treasurer

Personal Services

Salaries and Wages	\$	8,593
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Salaries and Wages - Deputy		378
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Supplies

Office Supplies		1,284
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SHERMAN TOWNSHIP, OSCEOLA COUNTY

TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES

YEAR ENDED MARCH 31, 2005

Other Services and Charges

Conferences	25
Transportation and Expense	414
Printing and Publishing	638
Communications	21
Miscellaneous	<u>615</u>

Total Treasurer 11,968

Building and Grounds

Supplies

Office Supplies	\$ 459
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Other Services and Charges

Contracted Services	292
Printing and Publishing	93
Public Utilities	1,443
Communications	616
Miscellaneous	<u>937</u>

Total Building and Grounds 3,840

Cemetery

Personal Services

Salaries and Wages	\$ 5,967
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Other Services and Supplies

Repairs	274
Contracted Services	522
Aid to Other Governments	1,250
Gas and Oil	199
Miscellaneous	<u>785</u>

Total Cemetery 8,997

Total General Government 53,074

PUBLIC SAFETY

Fire Department

Personal Services

Salaries and Wages	\$ 1,260
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Supplies

Office Supplies	7
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SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED MARCH 31, 2005

Ordinance Enforcement			
Personal Services			
Salaries and Wages	551		
Total Fire Department		1,818	
Total Public Safety			1,818

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning			
Personal Services			
Salaries and Wages	\$ 5,565		
Supplies			
Office Supplies	11		
Other Services and Charges			
Contracted Services	5,346		
Communications	264		
Total Planning and Zoning		11,186	
Total Community and Economic Development			11,186

RECREATION AND CULTURAL

Recreation and Parks			
Personal Services			
Salaries and Wages	\$ 150		
Other Services and Charges			
Public Utilities	9		
Trash Removal	824		
Miscellaneous	960		
Total Recreation and Cultural			1,943

OTHER FUNCTIONS

Insurance and Bonds	\$ 5,594		
Employee Benefits			
Medicare and Social Security	604		
Pension Contribution	4,197		
Total Employee Benefits		4,801	
Total Other Functions			10,395
TOTAL EXPENDITURES			\$ 85,353

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Certificate of Deposit	\$ 108,527
Taxes Receivable	5,607
Due from General Fund	<u>41,640</u>
 TOTAL ASSETS	 <u><u>\$ 155,774</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Maintenance	<u>155,774</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 155,774</u></u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2005

	BUDGET			VARIANCE- FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
<u>REVENUES</u>				
Taxes				
Current Property Taxes	\$ 44,800	\$ 44,800	\$ 47,003	\$ 2,203
Delinquent Property Taxes	0	0	244	244
Interest Earnings	900	900	2,024	1,124
Total Revenues	\$ 45,700	\$ 45,700	\$ 49,271	\$ 3,571
<u>EXPENDITURES</u>				
Public Works				
Highway, Streets and Bridges				
Other Services and Charges				
Repairs and Maintenance	44,800	44,800	0	44,800
Excess of Revenues Over (Under) Expenditures	900	900	49,271	48,371
FUND BALANCE - Beginning of Year	100,595	100,595	106,503	5,908
FUND BALANCE - End of Year	\$ 101,495	\$ 101,495	\$ 155,774	\$ 54,279

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

FIRE FUND
BALANCE SHEET

MARCH 31, 2005

ASSETS

Taxes Receivable	\$ 5,482
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ 5,482
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<u>FUND BALANCE</u>	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,482</u>
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SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
<u>REVENUES</u>				
Taxes				
Current Property Taxes	\$ 44,063	\$ 44,063	\$ 48,040	\$ 3,977
<u>EXPENDITURES</u>				
Public Safety				
Aid to Other Government				
Tustin Area Fire District	44,063	44,063	48,040	(3,977)
Excess of Revenues Over (Under) Expenditures	0	0	0	0
FUND BALANCE - Beginning of Year	0	0	0	0
FUND BALANCE - End of Year	\$ 0	\$ 0	\$ 0	\$ 0

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

	BALANCE			BALANCE
	4/1/2004	ADDITIONS	DEDUCTIONS	3/31/2005
<u>ASSETS</u>				
Cash in Bank	\$ 2,801	\$ 763,541	\$ (765,071)	\$ 1,271
<u>LIABILITIES</u>				
Due to Other Funds	2,801	108,189	(109,719)	1,271
Due to Other Governments	0	653,336	(653,336)	0
Due to Other Organizations and Individuals	0	2,016	(2,016)	0
TOTAL LIABILITIES	\$ 2,801	\$ 763,541	\$ (765,071)	\$ 1,271

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County			
Operating	\$	154,064	
Commission on Aging		19,064	
Voted Road Patrol		24,018	
Voted EMS		23,832	
State Education Tax		144,125	
Township			
Operating		23,119	
Road		47,003	
Fire		48,040	
Schools			
Pine River Area Schools		168,430	
Marion Public Schools		42,267	
Cadillac Area Public Schools		6,796	
Intermediate School		<u>143,771</u>	\$ 844,529

TAXES COLLECTED

County			
Operating	\$	136,485	
Commission on Aging		16,889	
Voted Road Patrol		21,277	
Voted EMS		21,113	
State Education Tax		133,594	
Township			
Operating		20,481	
Road		41,640	
Fire		42,558	
Schools			
Pine River Area Schools		151,983	
Marion Public Schools		37,384	
Cadillac Area Public Schools		5,780	
Intermediate School		<u>127,366</u>	<u>756,550</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY
TUSTIN, MICHIGAN

STATEMENT OF 2004 TAX ROLL
MARCH 31, 2005

TAXES RETURNED DELINQUENT

County			
Operating	\$	17,579	
Commission on Aging		2,175	
Voted Road Patrol		2,741	
Voted EMS		2,719	
State Education Tax		10,531	
Township			
Operating		2,638	
Roads		5,363	
Fire		5,482	
Schools			
Pine River Area Schools		16,447	
Marion Public Schools		4,883	
Cadillac Area Public Schools		1,016	
Intermediate School		<u>16,405</u>	<u>\$ 87,979</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

June 17, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Sherman Township
Osceola County
Tustin, Michigan

During the course of our audit of the basic financial statements of Sherman Township for the year ended March 31, 2005, we noted the following:

Budgeting Procedures

Total expenditures in the Township's General Fund, Other Functions exceeded budgeted appropriations. The Township should amend the budget increasing total budgeted appropriations prior to incurring excess expenditures.

In the General Fund current tax revenues were not budgeted. We recommend that the township budget for current tax revenues.

Public Act 621 states that the budget document that the Township adopt include the following financial information:

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Township-wide basis and incorporates capital assets, a provision for depreciation on those assets.

We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
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M. WAYNE BEATTIE, C.P.A.
1902 - 1990

JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Sherman Township
Osceola County
Tustin, Michigan

In planning and performing our audit of the financial statements of Sherman Township, Osceola County, Tustin, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.